

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 7, 2002

PRESENT: Chairman John Byrne; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; George Tsiopras, Chief Accountant; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Al Picconi, United Beverages, Inc.

EXCUSED: Commissioners Anthony Maiola and Patricia Russell. (Commissioner Russell voted by proxy.)

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending March 3, 2002 shows retail sales were down about 2%, on-premise sales were up almost 35, off-premise sales were up 17%, and total aggregate sales were up 2.35%. The traffic count was down by 2,062, as was the average sale by \$.09.

The W-1 Total Weekly Sales report for the same week indicates total sales increased 2.35% or \$116,389, and also increased for the year by 6.8% or \$14,605,247. Weekly comparison of wine sales shows they were up 10% or \$226,394, and were also up 9.2% or \$8,874,624. Sales of spirits for the week were down –4.4% or (\$120,723), but were up year-to-date by 5.7% or \$6,883,752.

B. Budget Reports:

According to the current W-6 Expense Budget Activity Variance Report, the year is at 67.95% complete, with agency totals at 65.7% expended. Transfers were approved by Governor and Council yesterday, and will show up on the next W-6 report.

Chairman Byrne asked if there had been any correspondence with anyone at Administrative Services regarding the freeze enacted by the Governor. Craig said he anticipated the freeze on equipment would occur as of the Fiscal Committee meeting of March 13th, and was waiting for guidelines as to what will be included. A blanket waiver for store personnel has been prepared. Peter said Store Operations is all set regarding projects for store shelving, etc., with the exception of Store #67 Hooksett. Clarification will be needed as to whether or not Enforcement equipment will be exempt. Chairman Byrne asked to find out if store operations personnel (full-time, in-store) could be

included in the waiver now for presentation to the Fiscal Committee at the next meeting.

There was nothing of significance to report regarding the latest outstanding depletions and post-offs report. Regarding conversation at last week's meeting, Craig reported that brokers are routinely invoiced on a regular basis for exit plan monies for products which failed to achieve test market gross profit and are delisted.

All items which were presented to Governor and Council at yesterday's meeting were approved, including the Dell and janitorial contracts. Notification was received today on the capital budget request, and Aidan Moore will receive information from accounting within a couple of days. Chairman Byrne suggested taking a very critical look at this.

Work is continuing with the Attorney General's Office on the Law contract renewal to make revisions to proposals which are for the most part non-financial. In response to inquiry from Chairman Byrne, Craig explained that the contract could be approved retroactively if the current one should expire before the renewal was completed.

George reported that a meeting will be held with DITM tomorrow morning relative to the accounting software package. Also, the budget is being closely monitored to determine if any last minute transfers will be necessary. So far there is nothing of concern. Monies might need to be taken from the salary adjustment and benefit funds.

2. IT Reports

The purchase order is being processed now for the Dell contract, which will be finalized by the Secretary of State. This will include both headquarters and Enforcement. The new computers should be delivered by the end of the month. A few of the old ones will be kept for spares, with the remainder going to surplus. It will be eight to ten weeks before everyone has a new machine.

A new page on the web has been developed regarding Sunday hours.

The store software contract expires this coming June. Work is being done with ACR to extend the maintenance contract for both hardware and software, with a new RFP going out in April. Howard said ACR is not interested in maintaining the present hardware system.

II. MARKETING & SALES REPORTS

1. Store Operations

Sunday sales for March 3, 2002 totaled \$368,639.97. Total store sales for the entire week were \$3,767,388.20, down 15%, down 15% from the previous year, with a 15% decrease in customers and a 2% increase in work hours. The southbound highway stores did extremely well, and the new location for Store #11 Lebanon was up 72%. However, Store #60 West Lebanon was down 20.71%.

Peter gave a brief report on the progress of store relocations. Store #23 Conway is slated to receive product by March 18th. There were a few problems with contractors involved in the Store #27 Nashua project, and the move will probably not take place until the middle or later part of April. Peter commented that the mix will have to be adjusted in these stores.

2. Warehouse Report

John Bunnell reviewed the present situation as explained in the memo from Craig regarding asbestos abatement. A meeting was held with Ameresco regarding the new heating system and the discovery of asbestos in the boiler room which must be removed. However, no money was appropriated for this. Craig explained that Scott Lawson had come up with the estimate of \$9,300 to \$10,000, and that Public Works would actually supervise the entire removal process. No action was taken on this item, pending receipt of back-up information regarding costs.

Warehouse inventory has dropped with no significant problems to date.

3. Purchasing Report

Regarding out-of-stocks, Nicole reported that she has followed up on several codes which are affiliated with the Dream Kitchen Giveaway. She was told another container was due in from California within fourteen days. New Hampshire's allotment of Pinot Noir Byron Santa Maria has been put off until April. Chairman Byrne asked that Nicole find out if some of these cases are being delivered to Massachusetts.

Nicole also noted that 14,000 units of product in conjunction with the Dream Kitchen Giveaway were sold within the first week of this promotion. \$255,000 worth of wines, or about 18,000 bottles, were sold to retail customers during the recent French Wine Sale.

4. Merchandising Report

A. SPIRITS:

1) Spirit Case Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-eight (28) spirit items for inclusion in the upcoming Spirit Case Sale, scheduled for the period of Thursday, April 4 through Sunday, April 14, 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 1) Test Market:
- a. Test Market Request (U.K.5 Organic Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Perfecta Wine Company for a new test market product listing for U.K.5 Organic Vodka, 750ML size (assigned Code #3660), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Line Extension Request (Early Times Bourbon):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company, on behalf of Brown-Forman Company, for an additional size listing of Early Times Kentucky Whiskey, 750ML size (assigned Code #2232), as this brand in the 1.75L size has exceed the gross profit required for a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Test Market Recommendation (Sambuca DiAmore):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #5362, Sambuca DiAmore, 375ML size, as this product failed to achieve the required gross profit during a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Test Market Recommendation (Cecil Aldin Scotch Decanter):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #1282, Cecil Aldin 15-Year Old Scotch Decanter, 750ML size, as this product

did achieve 25% of the gross profit required for general distribution and meets requirements for specialty listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) May Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of all Italian, Spanish and German wines on sale during the month of May in the following manner, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: receive 10% off the purchase of 6 to 8 bottles; receive 15% off the purchase of 9 to 11 bottles; receive 20% off the purchase of 12 or more bottles. The motion was unanimously adopted.

2) Recommended Allocated and Restricted Wines for Distribution to Selected Stores:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the approve submissions dated March 1, 2002 of allocated and restricted wines for distribution to selected stores as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, with the exception of certain codes which were left open pending further examination of their proposed distribution. The motion was unanimously adopted.

3) Cluster 3-4 Sets:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve submissions dated March 5, 2002 of products for authorization and discontinuation in Cluster 3 and 4 stores as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Delistings & Warnings – 2/24/02 – Wine Products:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the issuance of delist notices for two (2) wine products and warning notices for five (5) wine products for the twelve month period ending February 24, 2002, as

recommended by Kathleen Hass, Director of Purchasing and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Primary Source Submissions:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, nineteen (19) wine codes which are not from primary source, but are imported, and twenty-seven (27) wine codes which are not from primary source, but are offered by the exclusive marketing agent, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all requests for bailment releases/transfers dated February 28 through March 7, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items:

a. Product Assortment Review Recommendations:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three lists of products which did not attain their twelve-month required gross profits as of December 26, 2001, as recommended by Richard Gerrish, Spirits Marketing Specialist, as follows: List A, Three Month Warning; List B, Specialty Warning; List D, Add to Specialty Listing. List C, Delist was tabled. The motion was unanimously adopted.

John W. Byrne, Chairman

/D. Hartford

Patricia T. Russell, Commissioner

